

CONSOLIDATED RURAL WATER DISTRICT NO. 1  
Shawnee County, Kansas

Year Ended December 31, 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Consolidated Rural Water District No. 1  
Shawnee County, Kansas

We have audited the accompanying financial statements of the Consolidated Rural Water District No. 1, Shawnee County, Kansas, as of and for the year ended December 31, 2015, which comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

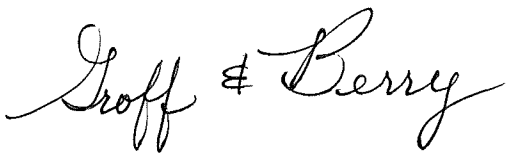
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Consolidated Rural Water District No. 1, Shawnee County, Kansas, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other-Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 14 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Groff & Berry". The signature is written in dark ink and is positioned above the typed name and date.

Topeka, Kansas  
February 5, 2016

CONSOLIDATED RURAL WATER DISTRICT NO. 1  
Shawnee County, Kansas

STATEMENT OF NET POSITION  
December 31, 2015

ASSETS

Current assets:

Cash	\$ 466,055
Certificates of deposit	360,347
Accounts receivable	100,500
Inventory, at cost	111,141
Prepaid expense	<u>17,109</u>

Total current assets \$ 1,055,152

Noncurrent assets:

Bond reserve account	207,528
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Capital assets:

Property, plant and equipment (Notes 2 and 3)	8,452,059	
Less: accumulated depreciation	<u>5,081,314</u>	3,370,745

Other assets:

Loan costs, less amortization of \$ 9,341	<u>15,425</u>
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Total assets \$ 4,648,850

(Continued)

CONSOLIDATED RURAL WATER DISTRICT NO. 1  
Shawnee County, Kansas

STATEMENT OF NET POSITION  
(Continued)  
December 31, 2015

LIABILITIES AND NET ASSETS

Current liabilities:

Current maturities of long-term  
debt (Note 3)

\$ 240,000

Accounts payable

36,926

Accrued expenses:

Taxes

1,150

Interest

10,557

Wages

14,615

Total current liabilities

\$ 303,248

Noncurrent liabilities:

Bonds payable

1,060,000

Invested in capital assets,  
net of related debt

2,070,745

Restricted for debt service

207,528

Unrestricted

1,007,329

Total net assets

3,285,602

Total liabilities and net assets

\$ 4,648,850

The accompanying notes are an integral part  
of these financial statements.

CONSOLIDATED RURAL WATER DISTRICT NO. 1  
Shawnee County, Kansas

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
Year Ended December 31, 2015

Operating revenues:		
Water sales	\$ 679,155	
Water sales - minimum	492,752	
Penalty charges	22,703	
Miscellaneous	<u>5,537</u>	\$ 1,200,147
Operating expenses:		
Depreciation	331,653	
Repairs and maintenance	47,747	
Utilities	27,330	
Wages	147,509	
Payroll taxes	19,355	
Water purchased	432,992	
Insurance	19,512	
Engineering	6,198	
Office expense	12,104	
Professional fees	6,918	
Mileage	22,296	
Retirement	15,070	
Amortization	2,752	
Miscellaneous	<u>18,614</u>	<u>1,110,050</u>
Operating income		90,097
Nonoperating income (expense):		
Interest income	4,000	
Interest expense	(27,128)	
Extensions and installations	18,462	
Benefit units	<u>62,675</u>	
Total nonoperating income		<u>58,009</u>
Changes in net assets		148,106
Net assets, beginning of period		<u>3,137,496</u>
Net assets, end of period		<u>\$ 3,285,602</u>

The accompanying notes are an integral part  
of these financial statements.

CONSOLIDATED RURAL WATER DISTRICT NO. 1  
Shawnee County, Kansas

STATEMENT OF CASH FLOWS  
Year Ended December 31, 2015

Cash flows from operating activities:		
Receipts from customers	\$ 1,187,335	
Payments to suppliers and employees	(789,968)	
Other receipts	<u>5,537</u>	
Net cash provided by operating activities		\$ 402,904
Cash flows from capital and related financing activities:		
Principal paid on debt	(235,000)	
Interest paid on debt	(29,331)	
Meters purchased by members	62,675	
Contributions for construction	18,462	
Purchase of property and equipment	(85,017)	
Settlement cost	(50,000)	
Increase in reserve account	<u>(2,885)</u>	
Net cash used by capital and related financing activities		(321,096)
Cash flows from investing activities:		
Interest received	<u>4,000</u>	
Net cash provided by investing activities		<u>4,000</u>
Net increase in cash and cash equivalents		85,808
Cash, beginning of year		<u>740,594</u>
Cash, end of year		\$ <u><u>826,402</u></u>

(Continued)

CONSOLIDATED RURAL WATER DISTRICT NO. 1  
Shawnee County, Kansas

STATEMENT OF CASH FLOWS  
(Continued)  
Year Ended December 31, 2015

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 90,097
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	331,653
Amortization	2,752
Changes in assets and liabilities:	
Accounts receivable	(7,275)
Inventory and prepaids	(3,371)
Payables	<u>(10,952)</u>
Net cash provided by operating activities	\$ <u>402,904</u>

The accompanying notes are an integral part of these financial statements.



CONSOLIDATED RURAL WATER DISTRICT NO. 1  
Shawnee County, Kansas

NOTES TO FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies

Entity and Basis of Accounting

The District was organized under Kansas law and is accounted for as an enterprise fund using the accrual basis of accounting. The District is not included in any other governmental "reporting entity" as defined in GASB Pronouncements, since Board members are elected by the patrons of the District, have decision-making authority, power to designate management, the ability to influence operations and primary accountability for fiscal matters.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all savings and certificates of deposit are considered to be cash equivalents.

Inventory

Inventory consists of pipe and parts and is recorded at historical costs.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized as income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Membership Equity

The sales price of benefit unit certificates is considered a contribution to the District. Contributions for meter setbacks and extensions are also considered a contribution to the District. These are recorded as "membership and new service." These amounts are in the net assets of the District.

Income Recognition

Water sales are recorded when the District issues the bills. It is not practical to estimate service receivables at year end and such amounts are not material to the financial statements taken as a whole. Delinquent accounts are turned off after attempts to collect. No allowance for doubtful accounts is maintained as accounts are charged off when considered uncollectible.

CONSOLIDATED RURAL WATER DISTRICT NO. 1  
Shawnee County, Kansas

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Annual Leave

Under terms of the District's personnel policy, District employees are granted annual leave in varying amounts. At year end, the District estimates that any unpaid vacation pay is immaterial to the financial statements taken as a whole.

Income Taxes

Consolidated Rural Water District No. 1, Shawnee County, Kansas, is a tax-exempt entity and not subject to income taxes at either the federal or State level.

Budget

The District has not been required to operate under the Kansas budget laws.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

2 - Property, Plant and Equipment

Property, plant and equipment, together with annual depreciation and amortization rates, consisted of the following:

	Life in Years	December 31, 2014	Additions	December 31, 2015
Land	-	\$ 36,695	\$ -	\$ 36,695
Buildings	50	52,552	-	52,552
Distribution system	20 - 50	6,388,230	59,216	6,447,446
Tanks and towers	10 - 50	1,449,119	-	1,449,119
Wells and pumphouse	25 - 50	354,245	-	354,245
Easements	50	7,866	-	7,866
Office equipment	3 - 5	51,446	5,736	57,182
Equipment	5 - 10	26,889	-	26,889
Chlorination system	10	-	20,065	20,065
		<u>\$ 8,367,042</u>	<u>\$ 85,017</u>	<u>\$ 8,452,059</u>

CONSOLIDATED RURAL WATER DISTRICT NO. 1  
Shawnee County, Kansas

NOTES TO FINANCIAL STATEMENTS  
(Continued)

2 - Property, Plant and Equipment (Continued)

Depreciation expense for 2015 was \$ 331,653.

3 - Long-Term Debt

Long-term debt consists of the Water System Revenue Bonds in the amount of \$ 1,300,000 with a range of maturity from 2015 to 2021, with interest rates from 1.55% to 2.25%, payable semi-annually from utility revenues and secured by these revenues. The proceeds from this issue was used to retire the KDHE loan during a prior year.

The following is a summary of changes in long-term debt for the year ended December 31, 2015:

<u>Debt Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
Revenue bonds: Series 2012	\$ <u>1,535,000</u>	\$ <u>-</u>	\$ <u>235,000</u>	\$ <u>1,300,000</u>
	\$ <u>1,535,000</u>	\$ <u>-</u>	\$ <u>235,000</u>	\$ <u>1,300,000</u>

CONSOLIDATED RURAL WATER DISTRICT NO. 1  
Shawnee County, Kansas

NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - Long-Term Debt (Continued)

Maturities for the Revenue Bonds are as follows:

	<u>Principal</u>	<u>Interest/ Service Charge</u>
2016	\$ 240,000	\$ 23,988
2017	245,000	19,008
2018	250,000	15,046
2019	255,000	10,515
2020	260,000	5,268
2021	<u>50,000</u>	<u>537</u>
	1,300,000	\$ <u>74,362</u>
Less: current maturities	<u>240,000</u>	
	<u>\$ 1,060,000</u>	

4 - Deposits

Kansas State Statutes authorize the District, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements and U.S. Treasury bills and notes. Statutes also require that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the District.

At December 31, 2015, the carrying amount of the District's deposits, including certificates of deposit, was \$ 1,033,630 and the bank balance was \$ 1,029,696, of which \$ 250,000 was covered by federal deposit insurance and pledged security with an approximate market value of \$ 1,128,000 held by the counter party but not in the District's name.

CONSOLIDATED RURAL WATER DISTRICT NO. 1  
Shawnee County, Kansas

NOTES TO FINANCIAL STATEMENTS  
(Continued)

5 - Defined Benefit Pension Plan

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Topeka, Kansas 66603) or by calling 1-800-228-0366.

Funding policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2015 was 7.94%. The District employer contributions to KPERS for the years ending December 31, 2015, 2014 and 2013 were \$ 15,070, \$ 13,619, and \$ 12,724, respectively, equal to the required contributions for each year.

6 - Compliance with Kansas Statutes

Bank deposits did not exceed depository security at December 31, 2015.

7 - Restricted Assets

Restricted assets consisted of the following at December 31, 2015:

Bond reserve account	\$ <u>207,528</u>
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CONSOLIDATED RURAL WATER DISTRICT NO. 1  
Shawnee County, Kansas

NOTES TO FINANCIAL STATEMENTS  
(Continued)

8 - Adequacy of Rates Charged Customers for Services

The financial statements, together with the requirements of the bond issue, indicate that the District has met the requirements for reserve and debt service. At December 31, 2015, the District was serving 1,735 customers.

9 - Subsequent Events

Management has reviewed subsequent events through February 5, 2016.

SUPPLEMENTARY INFORMATION

CONSOLIDATED RURAL WATER DISTRICT NO. 1  
SHAWNEE COUNTY, KANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

The discussion and analysis of Consolidated Rural Water District No. 1, Shawnee County, Kansas' financial performance provides an overview of the District's financial activities for the year ended December 31, 2015. Please review it in conjunction with the District's financial statements.

**Financial Highlights**

Total net worth increased by \$ 148,106 to \$ 3,285,602 of which \$ 2,070,745 was in capital assets and \$ 207,528 was restricted for debt service. The balance of \$ 1,007,329 was unrestricted.

The income from operations was \$ 90,097. Operating revenues were \$ 1,200,147 and operating expenses were \$ 1,116,650.

The District's cash increased \$ 85,808 during the year.

The District's long-term debt decreased \$ 235,000 during the current period with an outstanding balance of \$ 1,300,000.

**Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances.



## **Financial Statements**

The Statement of Net Assets, Statement of Activities and Statement of Cash Flows report information about the financial position and changes during the year. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements report the District's net assets, changes in net assets and the cash flow to provide a measurement of the District's financial health or position. You will need to consider other financial and non-financial factors, however, such as changes in the District's area and economy to assess the overall health of the District.

The Notes to Financial Statements provides additional information that is essential to a full understanding of the data provided in the financial statements.

## **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the governmental finances. Questions concerning any of the information should be addressed to the District at P. O. Box 159, 150 W. 9th Street, Auburn, Kansas 66402.

CONSOLIDATED RURAL WATER DISTRICT NO. 1  
Shawnee County, Kansas

INSURANCE COVERAGE  
December 31, 2015

The District insurance policy is provided by Elliott Insurance, with a premium of \$ 19,766 and covers the period November 5, 2015 to November 5, 2016. It provides the following coverage:

Building and personal property	\$	3,476,059
General liability		500,000/1,000,000
Contractors equipment		25,000
Linebacker		1,000,000/1,000,000
Employee theft		300,000
Equipment		43,881
Auto liability		500,000
Inventory		118,600
Worker's Compensation		500,000
Data Liability		50,000

See accompanying independent auditor's report.